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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday 17 May 1978

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NATIONAL SECURITY INFORMATION
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National Intelligence Daily Cable for Wednesday, 17 May 1978

The NID Cable is for the purpose of informing senior US officials.

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ZAIRE: Military Situation Report

25X1 [] Zairian airborne commandos early yesterday counterattacked Katangan rebel positions in Kolwezi in an attempt to secure the town's airfield and to link up with Zairian troops southeast of the city. Despite Zairian confidence, the operation will be difficult and could be complicated by the presence of several thousand foreign civilians in the town. French and Belgian diplomats in Kinshasa are pessimistic about the Zairian Government's position and have recommended that their governments prepare to intervene militarily in order to protect and to evacuate their citizens. It is generally quiet elsewhere in Zaire.

25X1 [] Mobutu seems determined to retake Kolwezi, even if he must weaken his defenses elsewhere in the region. Battalions formerly assigned to Mutshatsha and Kamina have been ordered to Kolwezi, along with elements of two battalions recently airlifted to Lubumbashi.

25X1 [] Despite these moves, Belgian and French officials in Kinshasa believe the Zairian force is too small and that the counterattack could fail disastrously. They have told US Embassy officials that the threat to the European community in Kolwezi could increase if the Zairians attacked the residential sector.

25X1 [] French and Belgian Embassy officials are concerned by the increasing indiscipline of the rebel soldiers. There are unconfirmed reports that the rebels have killed at least seven Europeans. The Belgian Charge has recommended that his government develop plans for military intervention to assure the safety and evacuation of Europeans, and the French Ambassador may have made a similar recommendation to Paris. Both have told the US Ambassador that they hope the US would join in such planning. Most of the approximately 75 US citizens in the area will probably be evacuated today.

25X1 [] A senior adviser to French President Giscard told US officials in Paris that he is increasingly concerned about the fate of French nationals in Kolwezi. He suggested, however, that France would wait at least 48 hours to see if the current Zairian attack is successful before acting itself. Unconfirmed press reports claim that some French military transport aircraft have been placed on standby alert, possibly because of the Zairian situation.

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[] As in the past, Zairian forces will probably perform poorly. The average Zairian soldier displays little desire to stand and fight for Mobutu.

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[] If the rebels are able to maintain their offensive and perhaps attain additional successes, the Zairian Army's resistance will probably degenerate, and there may be a breakdown of discipline and order. If this occurs and Mobutu is unable to obtain external assistance in the form of troops and materiel, the President would be under severe pressure to seek a political accommodation with the invaders. This would call into question Mobutu's ability to rule and could lead to instability in Zaire's other troubled regions.

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[] The internal situation elsewhere in Zaire apparently remains calm. Government security forces in Lubumbashi and Kinshasa have taken precautions against civil disorder and have increased their patrols. Rumors are rife, including those suggesting that elements of the Zairian Army are in collusion with the invaders.

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[] The Zairian Government has said the invaders are Katangan rebels, but it has applied the term "Katangan" to anti-Mobutu elements in general. The rebels' basic force probably consists of tribal relatives recruited by the original Katangan exiles, other political dissidents from Zaire, and some vagrant Angolans. The rebel leadership itself describes its movement as a popular anti-Mobutu uprising consisting of Zairians from all regions.

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ZAIRE: Fighting Damages Economy

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[] *Fighting in Zaire's Shaba Province is seriously damaging the country's ailing economy. The Kolwezi area accounts for 75 percent of Zaire's copper production, 90 percent of cobalt production, and all zinc production. The rebel incursion last year fell short of major towns in the copper belt.*

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[] World copper consumers now have copper stockpiles equal to five times Zaire's output, and even a total suspension of Zairian copper production would not cause any immediate hardship. Short-term reductions in cobalt output by Zaire, however, could be serious because Zaire is the free world's leading supplier. Consumers are already experiencing scarcities and skyrocketing prices.



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[] For Zaire, the loss of a sizable portion of mineral revenues would be crippling; Shaba mineral output accounts for at least 70 percent of government revenues and foreign exchange earnings. The full impact of production cutbacks on revenues and export receipts will be delayed six to eight weeks as a result of the shipments made before the outbreak of fighting.

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[] The fighting has further postponed disbursements of a private foreign loan of more than \$200 million that had been suspended during last year's invasion. The loan is part of an agreement initially worked out in 1976 between Zaire and foreign private creditors aimed at easing critical foreign exchange shortages that have plagued the country for the past several years.

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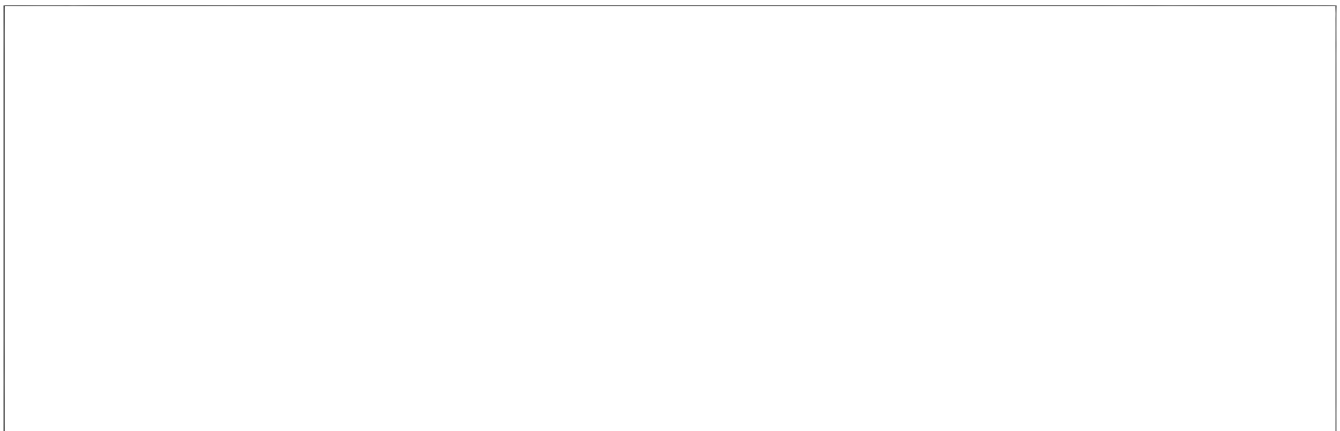
[] Zaire's economy was troubled before the fighting began in Shaba. Despite stringent import controls and financial aid from the International Monetary Fund and other creditors, Zaire ran balance-of-payments deficits of \$337 million in 1976 and \$300 million in 1977. Zaire has asked the IMF for another standby loan this year and will probably ask for a reconvening of the Paris Club--major public creditors--to reschedule its public debt. The fighting will undoubtedly affect all these meetings.

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[] Thus far, there is no word on how much military and economic aid Zaire can expect this year as a direct result of the Shaba fighting. The cost of last year's war was covered by military aid from France and Morocco combined with economic assistance from Western Europe, the US, Japan, and Saudi Arabia. []

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INTERNATIONAL: Oil Production

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[redacted] //Saudi Arabia has announced a cut in oil production that will generally please other producers of the Organization of Petroleum Exporting Countries. The decrease will apparently involve a further reduction in production of Arab Light oil from the Ghawar field.//

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[redacted] //Saudi Arabia's lower production ceiling should enable most other members of OPEC to increase output

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[redacted]

this year compared with last year. Although total OPEC production in 1978 will probably decline by about 1 million barrels per day, the Saudi ceiling represents a drop of nearly 1.5 million barrels per day from last year's Saudi average.//

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[redacted] //The new restrictions should not create any problems for the international oil market until at least the fourth quarter of this year, when seasonal factors and speculation in expectation of an oil price rise in January will push up demand. Even then, some flexibility on the part of either Kuwait or Saudi Arabia would suffice to meet demand.//

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[redacted] //The Saudi move is evidently linked to an agreement among OPEC countries to limit oil production voluntarily in order to reduce the present surplus on the world market. In exchange, the Saudis expected the others to forgo calls for a price increase this year. Kuwait's Oil Minister has announced that his country will also cut production. The Saudi cut, however, will probably be the only significant one.//

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[redacted] //Following the OPEC meeting in Kuwait last week, Oil Minister Yamani announced that Saudi Arabia had decreased production to 8.0 million barrels per day as part of a policy to reduce the world oil market surplus. Saudi crude output averaged only 7.9 million barrels daily in the first quarter of this year, largely because of slack market demand. Last year, Saudi output averaged 9.2 million barrels per day.//

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[redacted] //It is uncertain how such operating rules as the quota which restricts average Arab Light crude output to 65 percent of total Aramco production have affected production since late February. Reducing the quota for Arab Light would ensure that overall production cutbacks are concentrated at the giant Ghawar field. Slowing the oil withdrawal rate would help to restore pressure in reservoirs while bringing the ratio of light crude production more in line with existing reserve ratios. [redacted]

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CHAD: More French Reinforcements


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[redacted] //France may be sending additional combat troops to Chad to strengthen Chadian garrisons against possible attacks by Libyan-backed Muslim insurgents. French and progovernment forces have recently had some success in scattered, small-scale engagements with the rebels, but there has been little heavy fighting during the past two weeks.//


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 //The US Defense Attache in Ndjamena reports that 150 more French Foreign Legionnaires are on their way to Chad. This will bring the total French military presence there to at least 1,650 men, most of them combat troops. The reinforcements will probably be sent to one of the garrisons along the Moussoro-Ati-Abeche defensive line.//

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 //Several sources have told the Defense Attache that Legionnaires in Mongo clashed with rebels over the weekend, killing at least 20. No French losses were reported. The battle was in an isolated incident, perhaps the result of a limited rebel probe to test French defenses.//

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 //Early last week, a rebel group that had switched its support to the government recaptured the outpost of Guereda, occupied by the insurgents since mid-April. Guereda is the only town retaken from the rebels this year. 

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PAKISTAN: Zia Lashes Out at Press

Continuing protests by newsmen in Pakistan reflect growing unhappiness with government restrictions on political activity and could create significant problems for the military government.

The journalists claim more than 100 have been arrested thus far for participating in such activities as hunger strikes protesting the closing in March of a Lahore newspaper that supported former Prime Minister Bhutto. The government has tried to solve the problem by handing out increasingly stiff sentences--including flogging--to those arrested. The result, however, has been a growth in support for the newsmen, even from a few politicians who have no reason to favor Bhutto.

The government increased restrictions on press and political activity in March to prevent Bhutto's followers from creating serious disturbances after he was sentenced to death for a political murder. There was little trouble then but, as a final decision on Bhutto's appeal approaches, his supporters may be more inclined to confront the government.

The Supreme Court begins hearing his appeal this weekend and, if it upholds the verdict as expected, Chief Martial Law Administrator Zia-ul-Haq will have to decide whether Bhutto is to be hanged.

JAPAN: Auto Engine Technology

//The Japanese have embarked on a program to use ceramics, which are resistant to high temperatures, in diesel automobile engines. The engine design eliminates the need for cooling components, such as radiators and fans, and probably will lead to the development of simple, low-cost, reliable diesel engines for passenger cars by the early 1980s.//

//Ceramics will be used for engine parts exposed to high temperatures under low or compressive loads, such as pistons, cylinder liners, ports, and manifolds. The Japanese have already demonstrated the feasibility of these components in diesel engines. This use of ceramics, despite their brittleness, will not require any major changes in the design of engines or parts, but it will permit a significant reduction in cost because ceramics can be more economically formed and worked than metals.//

//Diesel engines are inherently more fuel-efficient than conventional gasoline engines. We know of no program parallel to the US effort further to improve diesel engine fuel efficiency. The US effort is focused on large truck engines and seeks to increase fuel efficiency through very high operating temperatures and more expensive and sophisticated ceramics technology than the Japanese effort.

PERU: New Economic Austerity

The Peruvian Government has enacted harsh austerity measures in a calculated gamble to obtain an \$80 million loan necessary to keep the country's failing economy afloat until it can satisfy International Monetary Fund requirements for additional debt service loans. The new measures are likely to trigger widespread popular unrest that could bring about cancellation of the constituent assembly election scheduled for 4 June.

Official price hikes--a substantial rise in the cost of gasoline, the virtual elimination of food subsidies, and a major increase in public transportation fares--were announced late Sunday evening with a dramatic suddenness that took even government economic officials by surprise.

President Morales Bermudez had been planning to withhold imposition of the harsh measures until after the June balloting. Government leaders apparently became convinced, however,

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that the hesistancy of international lenders to provide the bridge loan--which Peru desperately needs because it has only a few days' worth of cash reserves remaining--made an earlier announcement unavoidable.

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[] The increases--coupled with the new fiscal measures announced last week and the naming of two well-qualified civilians to key cabinet economic posts last Friday--should improve Peru's chances in its negotiations with private banks. Steering groups from both US and international banks met yesterday, fostering optimism in Peru that it may obtain the loan within days.

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[] The austerity measures were greeted on Monday with a few spontaneous outbreaks of unrest. Disturbances in Lima and other major cities resulted in dozens of arrests and an undetermined number of injuries, but the worst violence undoubtedly is yet to come. Labor unions and leftist groups, also taken by surprise, have had little time to mount organized protests.

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[] The price hikes are considerably greater than the ones the government tried to implement last summer. That attempt resulted in rioting in 15 urban centers that finally became so severe the government had to back down.

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[] This time, government leaders are said to be hoping that public anticipation of the election, the first to be held in Peru since 1963, may dampen protest activity. It seems unlikely, however, that either interest in the election or the modest wage increases announced by the government on Monday will lessen the strong feelings of resentment among the Peruvian people, who are already feeling a severe economic squeeze.

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[] Should public protests force the government to cancel the election, it would be a serious--perhaps fatal--blow to Morales Bermudez' plan to return the country to constitutional rule by 1980. []

ETHIOPIA-ERITREA: Government Attack

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[] *Ethiopian Government forces in Eritrea apparently have launched a new attack on insurgent positions west of Asmara. It is unclear, however, whether this presages a large-scale offensive throughout the province.*

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[] Spokesmen of the Eritrean Liberation Front assert that the attack involves some 20,000 government troops supported

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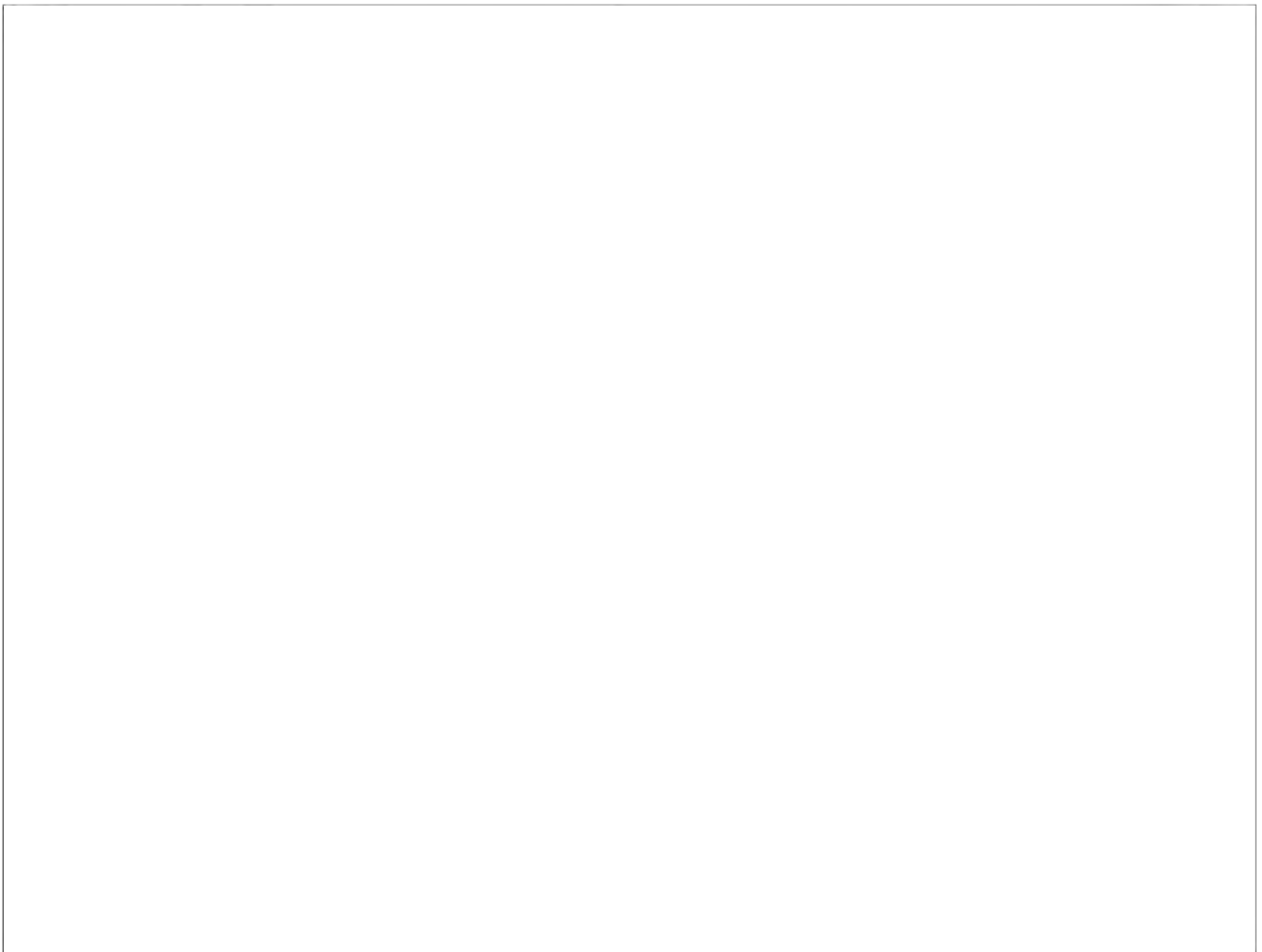
by tanks and airstrikes and that it is the beginning of the Mengistu regime's long-awaited Eritrean offensive. Only insurgent accounts of the fighting are available, however, and there is no indication that the Ethiopian military has actually begun a province-wide campaign. Chairman Mengistu implied, however, in a speech on Monday that a major offensive was about to begin.

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 In statements yesterday, ELF spokesmen said government forces had retaken several insurgent-held villages near Asmara. The ELF said it did not have any evidence of Cuban involvement in the new fighting. 

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CUBA-USSR: Increased Economic Aid

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[redacted] //Soviet trade representatives in Havana have confirmed to the US Interests Section that the USSR will increase its economic assistance to Cuba this year.//

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[redacted] //The increase reflects a continued Soviet commitment to the Cuban economy and underscores the closeness of bilateral political relations. According to the Soviets, Moscow will:

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- Increase the price it pays for Cuban sugar from about 31 cents per pound to about 40 cents per pound.
- Purchase an additional 360,000 tons of sugar above the 2.7 million tons originally programmed in the 1978 trade protocol.
- Purchase with hard currency an additional 500,000 tons of sugar outside the protocol.
- Provide an additional \$200 million in Soviet goods to help offset lagging Cuban imports from the West.//

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[] //Contrary to previous Cuban and Soviet assertions, however, Moscow will reportedly increase the price of petroleum to Cuba by about 20 percent, approximately equal to the increase to Eastern Europe.//

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[] //The USSR, recognizing the fundamental weakness of the Cuban economy, has extended the equivalent of \$9.9 billion in economic aid since 1961. Although approximately half of this must be repaid, it has enabled the Cubans to consume more than they produce. Such assistance--primarily in the form of subsidies for sugar and petroleum--will reach a record \$2.3 billion this year.//

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[] //The Soviet purchase of an additional 500,000 tons of sugar will help to alleviate Cuba's serious hard-currency shortage. The Soviet purchase will probably be counted as a Cuban sale to the free market--as it has been in past years--and thereby help Cuba to justify its 2.0 million ton export quota under the International Sugar Agreement--the largest quota assigned to any country. []

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BRIEFS

NATO

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[] //Defense ministers of those NATO countries that participate in the integrated military command--all except France and Greece--meet in Belgium beginning tomorrow for the semiannual session of the Defense Planning Committee. They are likely to endorse the long-term defense program that President

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[redacted]

Carter proposed one year ago. The NATO summit in Washington at the end of this month will also focus on the long-term defense program.//

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[redacted] //The ministers will review NATO force goals for the period from 1979 to 1984, noting under that heading the recent turnaround in NATO members' defense-spending plans. Since the last Defense Planning Committee ministerial meeting in December, most members have acceded to the US call for at least a 3-percent annual real increase in national defense spending.//

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[redacted] //Other important topics include the Airborne Warning and Control System--the US is seeking preliminary commitments to go ahead with the system, which is intended to counter the threat of low-flying missiles and aircraft--and efforts to improve West European and North American cooperation in the production and procurement of weapons. [redacted]

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[redacted]

Dominican Republic

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[redacted] Unofficial returns later today should indicate a trend in the Dominican Republic's most peaceful election in recent years. Official results of yesterday's voting probably will not be tabulated before the weekend. Supporters of both three-term President Joaquin Balaguer and his chief opponent, Antonio Guzman, are confidently predicting victory following the most hotly contested presidential race in over a decade.

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[redacted]

Colombia

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[redacted] The bus drivers' strike in Colombia on Monday reduced public transportation by about 50 percent but, for the most part, Bogota and other major cities were able to conduct business as usual. Military troops stationed along thoroughfares and intersections kept acts of violence to a minimum. The government workers' union, meanwhile, is apparently continuing with its plan to stage a strike later this week. [redacted]

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Upper Volta

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[redacted] General Lamizana, Upper Volta's pro-Western military leader who assumed power in 1966, failed to win an absolute majority in the presidential election on Sunday, which was


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held as part of a phased plan to return the country to civilian rule. A civilian politician, Macaire Ouedraogo, received enough votes to force a run-off election on 28 May.

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 Ouedraogo broke from the political party supporting Lamizana earlier this year. His unexpectedly strong showing may have resulted from his appeal to the country's youth. The low voter participation--only 35 percent of those registered--may also have helped him. The run-off election is likely to be close.

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